

Budget 2002/03

The following information is based on proposals set out by the Chancellor in his Budget of 17 April 2002 but is subject to amendment in the Finance Bill.

INCOME TAX

Rates	%	2002/03	%	2001/02
Starting	10	Up to £1,920	10	Up to £1,880
Basic	22	£1,921 to £29,900	22	£1,881 to £29,400
Higher	40	Above £29,900	40	Above £29,400

The rate of tax applicable to savings income, other than dividends, is 10% for income within the starting rate band, 20% for income falling within the basic rate band and 40% on income above the higher rate threshold.

For basic rate and starting rate taxpayers, tax on dividends is charged at 10%, which is discharged by the tax credit. For non-taxpayers, the dividend tax credit is not refundable. Higher rate taxpayers have to pay further income tax equal to 25% of the cash dividend.

Reliefs	2002/03	2001/02
Payment on loss of office	£30,000	£30,000
Enterprise Investment Scheme*	£150,000	£150,000
Venture Capital Trust*	£100,000	£100,000

* Relief restricted to 20%

Allowances	2002/03	2001/02
Personal allowance:		
Aged up to 64	£4,615	£4,535
Aged 65 to 74	£6,100	£5,990
Aged 75 or over	£6,370	£6,260
Income limit for higher levels of personal allowance	£17,900	£17,600
Children's Tax Credit* (CTC)	£5,290	£5,200
– baby rate	£10,490	–

* CTC is available until 5 April 2003 to parents (irrespective of marital status) who have at least one child under 16 living with them. For couples, there are special rules on who can claim CTC. If the claimant is a higher rate taxpayer, the allowance is reduced at the rate of £2 per £3 of income above the higher rate threshold. Relief for CTC is given at 10%.

CAR AND CAR FUEL BENEFITS

Cars

From 6 April 2002, the taxable benefit in respect of a car provided by an employer is calculated by reference to the car's carbon dioxide emission rating, with the scale charge varying between 15% and 35% of the list price. There will be a supplementary charge for diesel cars but not so as to take the total percentage beyond the maximum of 35% mentioned above; for diesel cars capable of meeting the EU standards for cleaner cars, this surcharge will be waived.

Car fuel	2002/03	2001/02
<i>Petrol</i>		
1,400cc or less	£2,240	£1,930
1,401cc to 2,000cc	£2,850	£2,460
2,001cc or more	£4,200	£3,620
<i>Diesel</i>		
2,000cc or less	£2,850	£2,460
2,001cc or more	£4,200	£3,620

INHERITANCE TAX

Rates	From 6.4.02	From 6.4.01
Nil	Up to £250,000	Up to £242,000
40%	Above £250,000	Above £242,000

Tapering relief is given in respect of gifts made between three and seven years before death.

Where tax is payable on lifetime gifts (other than those taxable only because they are made within seven years of death) tax is charged at 20%.

Various reliefs and exemptions are available.

INDIVIDUAL SAVINGS ACCOUNTS (ISA)

Income and gains on ISA investments are tax-free; until 5 April 2004 tax credits on dividends from UK shares held in ISAs will be refunded. Maximum annual investment of £7,000.

NATIONAL INSURANCE CONTRIBUTIONS

	2002/03	2001/02
Class 1 (earnings related)*		
Lower earnings limit (LEL) (per week)	£75	£72
Upper earnings limit (UEL) (per week – employees only)	£585	£575
Earnings threshold (per week) employees	£89	£87
employers	£89	£87
Rate: employee**	10%	10%
Rate: employer**	11.8%	11.9%
Class 2 (self-employed flat rate)		
Per week	£2.00	£2.00
Small earnings exception (per year)	£4,025	£3,955
Class 4 (self-employed)		
Rate	7%	7%
Lower profits limit (per year)	£4,615	£4,535
Upper profits limit (per year)	£30,420	£29,900
Class 3 (voluntary): per week	£6.85	£6.75

* Employees' contributions are payable on that part of earnings which falls between the employees' earnings threshold and the UEL.

** The rates of contributions on earnings below the upper limit are reduced where the employee is contracted out. The reduction for employees is 1.6%. The reduction for employers is 3.5% for salary-related schemes and 1.0% for money-purchase schemes (2001/02: 3% and 0.6% respectively).

STAMP DUTY

	Price	Rates payable on full price
Property other than shares, intellectual property* and goodwill	£0-£60,000 £60,001-£250,000 £250,001-£500,000 above £500,000 not applicable	nil 1% 3% 4% 0.5%
Shares		
Intellectual property* and goodwill**	not applicable	nil

* As defined

** For all documents executed on or after 23 April 2002

CAPITAL GAINS TAX

Rates

Gains are charged at 10% if the gains when added to total income are within the starting rate band, at 20% if they are within the basic rate band, and at 40% if they are above the higher rate threshold.

Companies pay corporation tax on capital gains at their normal rate. Gains and losses on sales by trading companies or members of trading groups of shareholdings of 10% or more in trading companies or trading groups are exempt, subject to certain exclusions.

For individuals, gains on disposals after 5 April 1998 benefit from indexation up to that date. Gains are reduced by taper relief reflecting the number of complete years after 5 April 1998. Non-business assets acquired before 17 March 1998 qualify for a bonus year of taper relief. The holding period required to receive maximum taper relief for business assets is two years and for non-business assets is ten years.

Years	Percentage of gain chargeable	
	Business asset	Non-business asset
0	100	100
1	50	100
2	25	100
3	25	95
4	25	90
5	25	85
6	25	80

Reliefs

	2002/03	2001/02
Annual gains exemption for Individuals	£7,700	£7,500
Chattels proceeds exemption	£6,000	£6,000
Retirement relief (age 50 or over)*:		
100% on gains to	£50k	£100k
50% on further gains to total of	£200k	£400k
Enterprise Investment Scheme**	100%	100%
Venture Capital Trust**	100%	100%
Principal private residence	100%	100%

* As defined

** For all documents executed on or after 23 April 2002

The above is intended to provide a general guide to the subject matter and should not be regarded as a basis for ascertaining the liability to tax or determining investment strategy in specific circumstances. In such cases specialist advice should be taken.

PENSION ARRANGEMENTS

Contribution limits

Age at start of tax year	Percentage of relevant earnings	
	Personal/stakeholder pension schemes*	Retirement annuity contracts
Under 36	17.5	17.5
36 to 45	20	17.5
46 to 50	25	17.5
51 to 55	30	20
56 to 60	35	22.5
61 or over	40	27.5

For personal/stakeholder pension schemes, the limit is the percentage above, or £3,600 (including basic rate tax relief) if higher.

Employees' contributions (including additional voluntary contributions) to an employer's exempt approved retirement benefits scheme are deductible up to 15% of net relevant earnings.*

* The maximum earnings on which contributions attract relief are £97,200 for 2002/03 (£95,400 for 2001/02).

INTANGIBLE ASSETS

From 1 April 2002 companies will receive a tax deduction for expenditure on the creation, acquisition and enhancement of intangible fixed assets (including abortive expenditure) on an accounts basis. Allowances at 4% p.a. are available by election for longer or indefinite life assets.

RESEARCH & DEVELOPMENT RELIEF

Qualifying expenditure on research and development attracts an additional deduction equal to 25% or 50% of the expenditure where it is incurred at a rate of not less than £25,000 p.a.

The rate of 50% applies to small or medium sized enterprises as defined by Commission Recommendation 96/280/EC. The 25% rate applies to companies that are not small or medium sized enterprises.

CORPORATION TAX

	Year to 31 March	
	2003	2002
Standard rate	30%	30%
Starting rate	0%	10%
Where profits up to*	£10k	£10k
Marginal relief where profits*	£10k-£50k	£10k-£50k
Marginal relief fraction	19/400	1/40
Small companies' rate	19%	20%
Where profits*	£50k-£300k	£50k-£300k
Marginal relief where profits*	£300k-£1,500k	£300k-£1,500k
Marginal relief fraction	11/400	1/40
Profit threshold for quarterly instalment payments*	£1,500k	£1,500k

* Reduced by reference to number of associated companies.

CAPITAL ALLOWANCES

Machinery and plant		
– normal rate	25%	reducing balance
– first year allowance*	40%	
– long life assets**	6%	reducing balance
– designated energy-saving, refuelling infrastructure and North Sea assets	100%	
Information and communication technology***	100%	to 31 March 2003
Motor cars****	25%	reducing balance (maximum £3,000 pa)
Industrial buildings and qualifying hotels	4%	of cost per annum
Commercial or industrial buildings in an enterprise zone	100%	
Agricultural buildings	4%	of cost per annum
Scientific research	100%	

* Applies to small and medium sized enterprises (using the Companies Act definition for companies). Cars and certain other assets are excluded.

** Assets with a working life of 25 years or more unless expenditure on such assets is below £100,000 in the period.

*** Applies to small enterprises (using the Companies Act definition for companies).

**** 100% first year allowance on low emission cars registered on or after 17 April 2002.

VALUE ADDED TAX

Standard rate 17.5%.
Registration threshold from 25 April 2002: annual turnover £55,000 (previously £54,000).